

June 7, 2011

TO: Sheila Stearns, Commissioner for Higher Education, Montana University System

FR: Royce C. Engstrom, President, The University of Montana

RE: FY12-13 Budget Allocations for The University of Montana affiliated campuses

The four affiliated campuses of The University of Montana have been working collaboratively throughout the current biennium, modeling potential outcomes of the legislative session, along with enrollment and tuition scenarios, and the potential adjustment of the allocation of the lump sum appropriation. All of our modeling has been done with the goal of recognizing the specific needs of each campus, with various levels of enrollment growth since CAP, along with campus-specific budget challenges. These challenges have included both the growth of nearly 2500 resident students in the current and previous biennia, along with expenditure reductions we undertook proactively in preparation for the anticipated loss of Federal OTO funding.

The budget planning for the 2012/13 biennium has included recognition of inflationary and contractual cost increases (normally covered by present law adjustments), enrollment-related cost increases (primarily in instruction, academic support, and student services), and the need to plan for still undefined compensation adjustments (subject to collective bargaining.)

As each of the revenue variables has been defined, beginning with the executive approval of HB2, followed by the setting of tuition rates for the 2012/13 biennium, we have refined the projections. The last major variable is the determination of the enrollment adjustments. The allocation within the affiliation of the adjusted appropriation, then, followed – taking into account both the relative proportion of the enrollment growth – and the ability of each campus to generate additional revenue through tuition. Since the standalone COT (UM-Helena) will not implement a tuition rate increase, a disproportionate amount of the cost increases will be borne by UM-Helena's allocation of the lump sum. Therefore, a tuition differential adjustment is included in the recommended allocation.

We will continue to work over the coming year, both within The University of Montana affiliation, as well as with our sister institutions at Montana State University and with your staff, to identify parameters to implement a performance – based component in the allocation process, and will forward our recommendations to you as they are refined.

UM General Fund Summary

FY12 - 13 Biennium

* All figures include base and one time only funds

	FY10 - 11 Allocation	HB 2 Reduction	Current HB2 (net) Alloc	Enrollment Adj	FY12 - 13 Allocation	% Chg from FY10 - 11
UM-Missoula	100,012,525	(1,586,499)	98,426,026	3,372,975	101,799,001	1.79%
Montana Tech	26,359,955	(415,800)	25,944,155	694,844	26,638,999	1.06%
UM-Western	13,454,798	(202,748)	13,252,050	330,935	13,582,985	0.95%
UM-Helena COT	7,809,514	(125,813)	7,683,701	1,615,478	9,299,179	19.08%
TOTAL UM	147,636,792	(2,330,860)	145,305,932	6,014,232	151,320,164	2.49%